

SPEAKER BARRETT: Senator Labedz.

SENATOR LABEDZ: Call the question.

SPEAKER BARRETT: Senator Labedz has called for the question. Five hands? I do see five hands. All in favor of ceasing debate please vote aye, opposed nay. The question is, shall debate now close? Have you all voted? Record, Mr. Clerk.

ASSISTANT CLERK: 27 ayes, 0 nays to cease debate, Mr. President.

SPEAKER BARRETT: Debate has now ceased. Senator Johnson, as the introducer would you care to close?

SENATOR V. JOHNSON: Mr. Speaker, members of the Legislature, the imposition of taxes on cigarettes is a relatively unique act by all of the states because there is an indecia of taxation which is the tax stamp. Now if you stop and think about it, the sales tax has no indecia of tax. When a retailer collects a sales tax, they simply have to collect the tax at whatever your retail prices are, and if they get audited, they have to remit the exact dollar amounts of the taxes. But in the cigarette industry, for the wholesaler to do business, the wholesaler has got to go and buy cigarette tax stamps, got to buy the stamps. And the problem...there is a tremendous problem in taxing as to what you do to a wholesaler when you increase your tax rate. This is the problem. And this state, since 1974, has decided that it was simply going to require the wholesaler to bear all of the cost of the increase in the tax rate. Prior to 1974, we didn't do it; 1974 was the first year we put in a floor tax. Well, this year the wholesalers wanted an increase in the stamping allowance, and the Revenue Committee rightfully said no. The wholesalers wanted some additional concessions because they do collect our taxes, they do have to pay people to put the stamps on the cigarette packages. They do have to pay the banks the carrying charge on the...for the interest while they've got the stamps still in their inventory. The wholesalers said please at least lister to our problem in dealing with our retailers. You put a floor tax on us, but no floor tax on the retailers. The retailers, when that happens, they always come back and they overorder because they then can take advantage of the tax increase because they can then sell their cigarettes at a higher price, at the higher price because of the new tax, while they have paid for the cigarettes at the lower rates.